

VZCZCXRO4032
RR RUEHDBU RUEHLN RUEHVK RUEHYG
DE RUEHYE #0551 1230403
ZNR UUUUU ZZH
R 030403Z MAY 07
FM AMEMBASSY YEREVAN
TO RUEHC/SECSTATE WASHDC 5461
INFO RUCPDOG/USDOC WASHDC
RUCNCIS/CIS COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 1244
RUEHIT/AMCONSUL ISTANBUL 0559

UNCLAS YEREVAN 000551

SIPDIS

SIPDIS
SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [PTER](#) [KTFN](#) [AM](#)

SUBJECT: ARMENIA JOINS EUROGIRO MONEY TRANSFER NETWORK

Sensitive but unclassified. Please protect accordingly.

11. (U) On April 27, the Armenian National Postal Operator "Haypost" signed a membership agreement with the Eurogiro Network, allowing Haypost offices to provide electronic money transfer services to and from more than 60,000 post offices across Europe. Under this agreement, accountholders will be able to send and receive money in a reliable, fast and low-cost manner to any of the 900 communities serviced by Haypost in Armenia.

12. (SBU) In November 2006 "HayPost Trust Management," a Dutch company in which ING Bank is the leading shareholder, assumed trust management of Haypost, with a mandate to transform the Armenian postal system into a modern entity offering international-quality postal, banking and financial services. Previously, customers could only transfer funds via cumbersome paper transactions at Haypost offices or through other, higher-cost commercial providers (e.g. banks and specialty wire transfer services). Haypost recently introduced electronic transfers, but the vast majority of Haypost's current financial services are utility and tax payments. Adding international-quality money transfer services through the Eurogiro Network is seen as the first step towards Haypost becoming a fully-functional postal bank.

13. (SBU) Remittances account for 25% or more of GDP in Armenia and many local banks rely -- in some cases almost exclusively -- on hefty money transfer fees to generate their profits. There are 21 commercial banks operating in Armenia, almost all of which offer money transfer services through various systems, including Western Union, Privatemoney, MoneyGram, MIGOM and Unistream. Haypost's Eurogiro membership will significantly increase competition in the money transfer market and provide previously unavailable low-cost financial services to many of Armenia's remote rural communities.

14. (SBU) COMMENT: Armenia is the first Commonwealth of Independent States (CIS) country to join Eurogiro. We expect the new service to grab a considerable market share, and we see this as probably a good thing for Armenian consumers, for financial sector development, and for anti-money laundering/terrorist financing concerns. We presume that having the well-respected Dutch international financial services giant ING at the management helm should ensure appropriate scrutiny of potentially suspicious transactions. We also welcome the pressure that this will put on Armenian banks, once they are weaned from dependence on lucrative money transfer fees, to devote greater attention to what should be their core business: business and consumer lending.

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